



PSC NEWS

Missouri Public Service Commission

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PSC REJECTS ATMOS REQUEST FOR \$3.4 MILLION

Commission Redesigns Rates And Seeks Conservation Program

JEFFERSON CITY—The Missouri Public Service Commission has determined that no revenue increase will be granted to Atmos Energy Corporation because its current annual natural gas revenues are adequate to provide service to its customers.

“The Commission finds that rates designed to produce a zero net revenue increase are just and reasonable in that they meet Atmos’ prudent operating expenses and, based on the analysis of Staff (PSC Staff) of comparable companies, allow an opportunity to earn a reasonable return on the value of the private property dedicated to public service,” the Commission said.

When Atmos filed its rate request on April 7, 2006, it sought to increase annual natural gas revenues by approximately \$3.4 million.

The final impact of the Commission’s decision on Atmos natural gas customers will be known when Atmos decides whether to accept the Commission’s decision regarding a new rate design.

The Commission’s rate design places non-gas costs within a fixed monthly delivery charge. Current non-gas costs are recouped through a monthly customer charge (which does not vary with customer usage) and a volumetric rate (which is levied on each 100 cubic feet of gas used by a customer). Non-gas costs make up 20 to 25 percent of a customer’s total monthly natural gas bill.

The Commission determined that a fixed monthly delivery charge will only be authorized **if** Atmos implements an energy efficiency and conservation program which educates and assists customers in conserving and reducing the demand for natural gas. Otherwise, Atmos will have to maintain its current rate structure with no additional revenue increase. The Commission’s vote on the order was 3 to 2.

The PSC Staff had recommended that non-gas costs be recovered through a fixed monthly delivery charge. Staff believes this rate structure would: 1) remove disincentives for utilities to encourage and assist customers in making conservation and efficiency investments; and 2) reduce the effects of weather on utility revenues and customer bills.

The energy efficiency and conservation program must be approved by the Commission and be the result of a collaborative effort from several parties including the PSC Staff, the Office of the Public Counsel, Atmos Energy Corporation and the Energy Center of the Missouri Department of Natural Resources. Atmos would be required to contribute one percent of its gross annual revenues (approximately \$165,000) to the energy and efficiency program on an annual basis. The program is to be implemented no later than August 31, 2007.

The Commission’s order also combines some of Atmos’ six natural gas service areas providing for similar geographic areas to pay similar non-gas and gas costs.

Background: The rate case filed by Atmos involved its non-gas costs of providing service to its customers. Non-gas costs include operating and maintenance expenses and a return on investment in plant (such as natural gas mains and service lines that carry natural gas to the customer’s home or business). The rates that wholesale suppliers charge Atmos for natural gas are not regulated by the Missouri Public Service Commission. Those costs make up approximately 75 to 80 percent of a customer’s total monthly natural gas bill.

Atmos serves approximately 60,000 natural gas customers in Missouri.